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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

GARY PIERCE – Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

DOCKETED

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AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY

IN THE MATTER OF:

DOCKET NO. S-20719A-09-0583

MORGAN FINANCIAL, L.L.C., an Arizona
limited liability company,

MORGAN FINANCIAL LENDERS, L.L.C.
an Arizona limited liability company,

and

JIMMY HARTGRAVES JR. and LAURIE
HARTGRAVES, husband and wife,

RESPONDENTS.

SEVENTH
PROCEDURAL ORDER
(Continues Hearing)

BY THE COMMISSION:

On December 30, 2009, the Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) filed a Notice of Opportunity for Hearing (“Notice”) against Morgan Financial, L.L.C., an Arizona limited liability company (“Morgan”) and Jimmy Hartgraves, Jr. and Laurie Hartgraves, husband and wife, (collectively “Respondents”) in which the Division alleged multiple violations of the Arizona Securities Act (“Act”) in connection with the offer and sale of securities in the form of notes.

The Respondents were duly served with copies of the Notice.

On January 28, 2010, a request for hearing was filed by Respondents.

On February 2, 2010, by Procedural Order, a pre-hearing conference was scheduled on February 25, 2010.

On February 12, 2010, a Stipulation to Continue the pre-hearing conference was filed by the parties stating that due to conflicts in Respondents’ counsel’s schedule a continuance was necessary. Subsequently, by Procedural Order, the pre-hearing conference was continued to March 9, 2009.

On March 9, 2010, the Division and Respondents appeared through counsel. Counsel for the

1 Division indicated that discussions are being conducted with Respondents' counsel and requested that
2 a status conference be scheduled in approximately 45 days.

3 On March 10, 2010, by Procedural Order, a status conference was scheduled on April 26,
4 2010.

5 On April 26, 2010, the Division and Respondents appeared through counsel at the status
6 conference. The Division and Respondents indicated that they were continuing to attempt to settle
7 the proceeding, but indicated that a brief hearing should be scheduled in late August or September to
8 avoid scheduling conflicts.

9 On April 26, 2010, by Procedural Order a hearing was scheduled on September 1, 2010, and
10 the exchange of Witness Lists and copies of Exhibits on August 2, 2010.

11 On July 27, 2010, The Division and Respondents filed a stipulation to continue the hearing
12 and the exchange of documentation because the parties are close to reaching a settlement which will
13 be submitted in the form of a Consent Order for Commission approval.

14 On July 30, 2010, by Procedural Order, the hearing was continued to November 2, 2010, and
15 a date established for the exchange of Witness Lists and copies of Exhibits.

16 On September 28, 2010, a Notice of Appearance was filed by a new attorney for the
17 Respondents.

18 On November 2, 2010, the Division and Respondents filed a Joint Stipulation to Continue the
19 proceeding for at least 60 days. The parties stated that additional time was needed to review and
20 investigate the matter based on facts recently brought to the Division's attention and that the parties
21 required more time to discuss settlement.

22 On November 3, 2010, by Procedural Order, the proceeding was continued to January 13,
23 2011, and other procedural matters addressed.

24 On December 21, 2010, the Division filed a Motion to Amend the Notice due to additional
25 issues raised during the Division's investigations of the Respondents. The division also named an
26 additional Respondent, Morgan Financial Lenders, L.L.C. ("MF Lenders").

27 On January 6, 2011, Respondents filed a Stipulated Motion to Continue ("Stipulation") the
28 hearing scheduled on January 13, 2011. Respondents, in the Stipulation, indicated that they did not

1 oppose the amendment of the Notice. The Respondents and the Division further stipulated to a
2 continuance of at least 60 days to address the new issues raised by the amendment of the Notice and
3 to continue to discuss a possible settlement in the proceeding.

4 Accordingly, leave should be granted for the amendment of the Notice, the hearing should be
5 continued and the parties granted leave to exchange or amend the copies of their Witness Lists and
6 Exhibits, if the proceeding is not settled in a timely fashion.

7 IT IS THEREFORE ORDERED that the **hearing** scheduled on January 13, 2011, shall be
8 continued to **April 26, 2011, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington
9 Street, Hearing Room No. 1, Phoenix, Arizona.

10 IT IS FURTHER ORDERED that **the Division and the Respondents shall exchange copies**
11 **of their Witness Lists and copies of their Exhibits or their amendments by March 18, 2011**, with
12 courtesy copies provided to the presiding Administrative Law Judge, if they have not previously done
13 so..

14 IT IS FURTHER ORDRED that **if the case is resolved by a proposed Consent Order prior**
15 **to the hearing, the Division shall file a Motion to Vacate the proceeding.**

16 IT IS FURTHER ORDERED that **the caption of the proceeding shall be amended to**
17 **include the newly named Respondent, Morgan Financial Lenders, L.L.C.**

18 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113-Unauthorized
19 Communications) applies to this proceeding as the matter is now set for public hearing.

20 IT IS FURTHER ORDERED that withdrawal or representation must be made in compliance
21 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the
22 Rules of the Arizona Supreme Court). Representation before the Commission includes appearances
23 at all hearings and procedural conferences, as well as all Open Meetings for which the matter is
24 scheduled for discussion, unless counsel has previously been granted permission to withdraw by the
25 Administrative Law Judge or the Commission.

26 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules
27 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission
28 *pro hac vice*.

1 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
2 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

3 DATED this 7th day of January, 2011.


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6 
7 MARC E. STERN
ADMINISTRATIVE LAW JUDGE

8 Copies of the foregoing mailed/delivered
9 this 7th day of January, 2011 to:

10 Charles R. Berry
11 POLSINELLI SHUGHART PC
12 One East Washington Street, Suite 1200
13 Phoenix, AZ 85003
14 Attorneys for Respondents

15 Matt Neubert, Director
16 Securities Division
17 ARIZONA CORPORATION COMMISSION
18 1300 West Washington Street
19 Phoenix, AZ 85007

20 ARIZONA REPORTING SERVICE, INC.
21 2200 North Central Avenue, Suite 502
22 Phoenix, AZ 85004-1481

23
24
25
26
27
28 By: 
Debra Broyles
Secretary to Marc E. Stern